

Competition



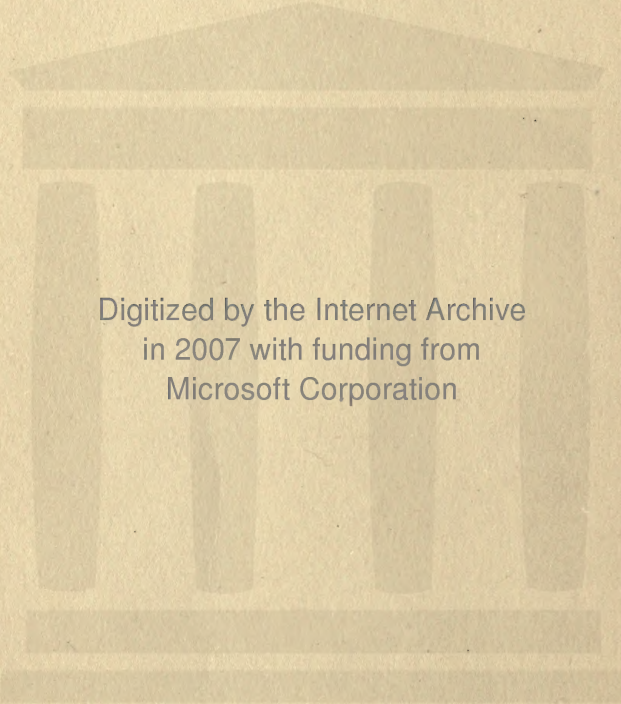
By W. V. Marshall



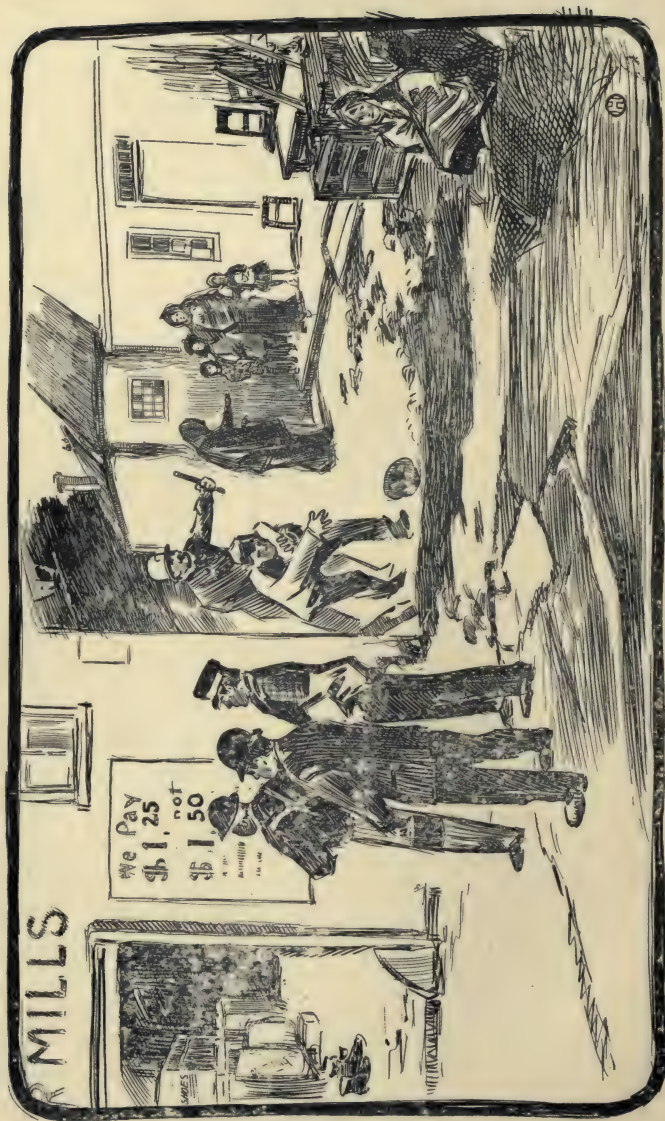
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Overprofit from Wage Cut, and Its Developments

Overstock of Goods

The Wage Cut

Theft

Beggary

Eviction

EcH
M3698c

Competition


BY
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W. H. Marshall

Editor *BERLIN RECORD*, Berlin, Pa.



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CONTENTS.

CHAPTER I.	PAGE
Nature's Generousness Marred in the Diffusion..	1
CHAPTER II.	
Developments of Overprofit.....	3
CHAPTER III.	
The Testimony of Human Experience.....	10
CHAPTER IV.	
Overproduction as a Reality.....	13
CHAPTER V.	
Adequacy of Size in Industry.....	20
CHAPTER VI.	
Where We Win and Where We Fail.....	27
CHAPTER VII.	
Legitimate Fruits of Free Competition.....	31
CHAPTER VIII.	
But One Safe System.....	36
CHAPTER IX.	
The Corrective	41
CHAPTER X.	
Classification for Taxing Purposes.....	51

Contents.

	PAGE
CHAPTER XI.	
Effectiveness of the Graduated Tax.....	56
CHAPTER XII.	
Equalizing Effects of the Graduated Tax.....	60
CHAPTER XIII.	
Taxation Inseparable from Regulative Influence..	64
CHAPTER XIV.	
The Graduated Tax a Protective Tariff.....	69
CHAPTER XV.	
What Else the Graduated Tax Will Do.....	78
CHAPTER XVI.	
Questions Asked and Answered.....	82
CHAPTER XVII.	
Ranged Within the Single View.....	90

PREFACE.

THE aim in the following pages is to set forth in a plain and commonsense manner the fundamental defects in our present industrial system, the natural relations which would work to the general good, and the corrective which, if applied, would bring about these natural relations. The theme includes within its scope, and its efforts to establish, the following propositions:—

FIRST.—That the ills which afflict our industrial and commercial life are attributable to the unnatural distribution of earnings growing out of undue concentration of capital and monopoly.

SECOND.—That the unnatural distribution results in periodic “overproduction,” with ever present accompaniments of industrial depression and “hard times.”

THIRD.—That the natural distribution of the products of industry is to be secured by such remodeling of the taxing system as will

Preface.

prevent undue concentration of industrial interests and the fostering of monopoly.

These propositions are considered as subsidiary to the central thought, which is:—

That the natural law of competition is the true and only medium in which success may be achieved in the various departments of industrial life.

Trusting that his efforts may not prove entirely devoid of interest and value, the author submits his humble effort to the candid judgment of his thoughtful fellow-laborers.

W. V. M.

COMPETITION.

CHAPTER I.

NATURE'S GENEROUSNESS MARRED IN THE DIFFUSION.

ONE of the plainest facts in industrialism is, that the responses of nature to our productive efforts are so generous that they supply a rich abundance for the people's subsistence.

But there is another fact equally evident. This abundance fails of diffusion among the people with the same degree of generousness that it is yielded from the natural storehouse.

Much of it congests, at the expense of the people's comforts, to glut the marts of trade and generate periods of industrial stagnation, idleness and suffering.

How are we to account for this undesirable but familiar state of affairs?

For answer, let us acquaint ourselves with what are the blighting developments of the unnatural distribution or excessive profit-taking which may be exercised in favor of themselves by persons possessing a monopoly or sole control.

CHAPTER II.

DEVELOPMENTS OF OVERPROFIT.

THE island of Notseen, we will assume, contains a population of one thousand able-bodied men, who, with their families, form a separate and self-sustaining community. All the wants of this community are supplied by the thrift and industry of these one thousand men. In the organization of these workers, fifty men employ the other nine hundred and fifty and pay them wages, so that the subsistence produced by the thousand men is first owned by the employers who distribute it to the community by selling it as merchandise.

We will imagine that the community produces commodities averaging in amount \$2,000 worth per day; that the workmen receive \$1.50 per day—a rate of wages enabling the nine hundred and fifty to purchase an average of \$1,425 worth of commodities

daily; that \$575 worth becomes the daily average share of the employers, and that this sum is sufficient to supply their personal wants, and to provide the capital they must join with the efforts of themselves and their workmen to produce the \$2,000 daily earnings. We have before us, then, a case of happy adjustment of returns from earnings in which the processes of production and consumption are equalized—the commodities are regularly and seasonably exhausted—and the people are kept continuously engaged in creating new supply.

Assuming the wage rate here named to be the one suited to maintain the proper equilibrium between demand and supply, let us see what will take place under a change of compensation. Suppose the employers of Notseen reduce the wages of their men to \$1.25 per day, without lowering the price of their wares. The workmen will then be able to purchase daily with their wages only \$1,187.50 worth of goods, or five-sixths as much as they did before. This would necessarily leave one-sixth of their legitimate earnings, or a sum equal to \$237.50 worth daily, in the hands of the proprietors as a surplus profit to the latter. Let

Developments of Overprofit. 5

us keep track of this excessive gain, this exorbitant profit, and see what use is made of it or how it disposes of itself.

The first fact we are forced to recognize is that the gain shuns the channels of trade and is not absorbed in speedy utilization as are products undiverted to gains.

The reason for this is obvious. The workmen cannot make ready use of this gain because they cannot purchase it with current wages. Their wage income is exhausted upon the expenditure, by each of them, of \$1.25 per day, or by all of them of \$1,187.50 per day; while the expenditure of \$1.50 per day by each, or of \$1,425 per day by all, would be required to secure the \$237.50 worth withheld from them by the reduction in wages. So we see that inability to purchase prevents the workmen from making ready use of it.

Nor can the proprietors make a ready use of this surplus. Their needs were fully met before the wage reduction was made. Their regularly accruing wants, both personal and financial, have already been provided for, and there is left no real need of their own to which they can devote additional capital. In-

creased extravagance in domestic and social life on their part might use up some of the surplus profit, but the proprietors being few in number and the gain in the aggregate large, the greatest possible extravagance consistent with right living could use, legitimately, but a small portion of it. They can use none of it profitably as capital, since having abridged the purchasing power of their customers by the wage reduction, they have need to decrease rather than increase the capital employed in production.

But how does this unfair profit dispose of itself? The answer must be, in view of the conditions just stated, that in its early stages it simply amasses into an accumulation, in the bins or on the shelves of storehouses. To this unnatural surfeit must we inevitably arrive in searching for the effects of a system which withholds a proper share of labor's reward from the individual worker.

If this were the end of the system of excessive profit taking, we might not enter such a serious charge against it; for the worst that might be said is that it obliges the toiling earner to rest requited with a smaller ratio of

Developments of Overprofit. 7

his actual earnings than is warranted by the natural possibilities.

But the inquiry does not stop here. This abnormal profit, under the familiar name of overproduction, becomes of itself a means to social ills, exceeding in their baneful tendencies those originated in the process of its creation. What are these? Let us have recourse again to our illustration.

After their discharge, the workmen of Notseen subsist as long as they can upon the means they previously managed to lay by. When these are gone, they seek their employers and importune them to be allowed to resume work for the further support of themselves and families. Their entreaties are not heeded. The employees are not only denied labor but are blamed for their condition in language or thought like this: "No, you you should see for yourselves that you have at all times the necessary means of support. You must suffer the consequences of your thoughtlessness or folly. Had you been less shiftless and extravagant in the past, you would not now be without means to purchase a living."

To this the petitioners humbly but incontrovertibly rejoin: "How is it possible to purchase the whole of a thing with less money than the price set upon it? Had we saved with unexampled care would that have left in our hands the means to purchase the sixth you withheld from us when you reduced our wages twenty-five cents per day?"

But, animated by the spirit which led to the overproduction, and seeing no relief for the men consistent with their own desire for continued gain, the employers dismiss the workmen from their presence with the declaration that existing conditions are for the time being beyond reversal and that further importunities for employment will be fruitless.

Perceiving that it is hopeless to expect a resumption of industry while the accumulated surplus lasts, the workmen resign themselves to the inevitable—enforced idleness, and consequent discomfort and want. Eventually they must sell or mortgage their homes in order to provide a living for themselves and families.

The toiler without a property of his own to sacrifice, or who may already have yielded all to the necessities of living, must beg or

Developments of Overprofit. 9

steal, and in the end possibly find himself in the almshouse or the state's prison.

Overproduction, paralyzation of industry, spoliation of the common earner, poverty, beggary and crime—these are the creations, and so unquestionably must they arise from the over-profiting of a few at the expense of the many, that they point to this artificial exercise of power as the indisputable source of the evils wherever the same are found to exist.

CHAPTER III.

THE TESTIMONY OF HUMAN EXPERIENCE.

CONFIRMATION, if it be needed, that the actual conditions already described are the inevitable outgrowth of over-profiting, may be found in the fact that nothing in the human propensity conforms with the idea that over-production is a possible result of natural conditions. Though, thanks to our inventive and devising genius, we are able to produce in great abundance, we are not yet arrived at such degree of might in performance that it requires the production of an excess before there may be satiated our desire for activity. On the contrary, the reverse is true. We are still unable to satisfy fully the demand for toil-made means, and still impotent to provide what we do produce with less effort than we care to expend. The cardinal principle still exists to strengthen our powers of production, and to

Testimony of Human Experience. 11

accomplish at all times the largest possible results with a given amount of effort. Such a condition does not confirm the idea that we would naturally over-produce.

Nor does it indicate, either, that man courts leisure to the degree of absolute idleness, for there is a vastness of difference between drudgery or health-impairing toil, and that which is essential to muscular and mental development.

What man really desires, as indicated by his natural tendencies, is that his varying needs for toil-made means shall be procurable through so effective and moderate an exercise of mind and body as to equalize the pleasure-ableness of his several means of self-enjoying. He would so have it, and would procure it in the hastening future if left untrammelled by monopolistic restraints, that, linked with the gratuities of nature, such as the sun and air, which are always aright, there would come to him so much of industry-made products as he shall have a desire to apply, procurable through so much of effort as he shall have a desire to expend, and as leaves to him so much of time as he desires in leisure or relief from toil.

Thus has he been inspired by an all-wise and unerring Providence to perform and adjust in order to the achievement of that resolute self-seeking, namely, the comfort, enjoyment, and development of self.

But this is all so much opposed to the assumption that we would naturally afflict ourselves with the blight of overproduction as to constitute positive evidence in support of the contention that the phenomenon is a grave maladjustment due to the restraints imposed by persons vested with special power.

CHAPTER IV.

OVERPRODUCTION AS A REALITY.

OVERPRODUCTION always stands opposed to destitution. This is because the two have a common origin. Deprive eighty million people of a proportionate share of their earnings, and there will be heard the complaint of indigency. Turn this share into the possession of one hundred thousand citizens, and there will be heard the complaint of surplus. But the passing of the earnings out of the hands of one set into the hands of another is but a single operation. That is why plenty and paucity may go hand in hand; why a surplus may exist by the side of pressing want. But where and in what consists this overproduction?

There is in possession of the exactors at the close of a season's operations, retained of their own originating, products which they would not have retained had they parted with their wares at earned valuation; with them of the

people's originating, products they would not have acquired had they accepted the people's wares at earned valuation; debt obligations surrendered by the people to bridge deficits which their lack of compensations created, and left them no means to provide for. Each season widens the breach, surfeits the exactors with more excess, inflicts the masses with greater deprivation.

The beneficiaries of the excessive profits might, by actually destroying their gains, ward off the productive accumulation and keep the masses and themselves steadily employed in the creation of new supply. But it would require some such heroic treatment as this before there could be any relief, since these people could not dissipate their exacted accumulations upon themselves, nor profitably employ the same for the production of more.

They do increase their money-making investments, nevertheless. Capital abhors idleness and so seeks employment. Railroads are increased in mileage. Manufacturers enlarge their plants. Speculators embark in false enterprises. But it is only a wild hunt of un-

Overproduction as a Reality. 15

righteous gains—profits standing opposed to destituteness—seeking for further gain. And what do we hear as a result? The wail of the cotton and woollen manufacturers is, "What shall we do to find a market for our calicoes and cloths?" The workmen's wail is, "What shall we do to keep ourselves, wives, and children from nakedness?" The lumberman complains, "How shall I rid myself of my enormous stacks of lumber?" The farmer complains, "How shall I secure the means to protect my stock from the storms of winter?" The stockholders of the railroads ask, "How are we to make our enormous capital in railroad extensions pay?" The masses ask, "What are we to do for capital to run our industries with?" Having created for a market they previously impaired by their exactions upon the people, the monopolists are set to complaining as loudly at the dearth of demand as the people are at their want of means to create demand.

Overproduction is, indeed, an artificial congestion void of any natural outlet. Past the stage at which it was the people's gratuity from a generous earth, it has become an avenging

intruder incensed at being distracted from its normal purpose into the hands of the people, and insistent that it be absorbed, even though the absorption take place at the expense of pre-invested capital.

And now it may be asked: Are the people *obliged* to submit to such exorbitant demands upon their earnings and then to redeem with their properties the gains which have been unfairly exacted from them?

When we look at the things controlled we find that the necessity to submit to exaction and subsequently to redeem the spoil is compulsory and thoroughly so. The existing monopoly relates to business and industrial enterprise—lines of activity which relate to the prime necessities of life. This being true, the people are at the mercy of the situation. While they may recognize and deplore their unfortunate relations, and desire ever so much to be freed from a system known to be formed for exploiting at their expense, yet do they find it just as impossible to render themselves independent of these monopolies as it is for them to release themselves from the need of coal, iron, clothes, kerosene, and the means of trans-

Overproduction as a Reality. 17

portation which these monopolists supply. The producer must sell his raw commodity to them, and must transport through them, because there are none others to whom he may go for the purpose. The consumer must purchase to supply certain of his needs from what they produce, because none others are allowed to produce in response to these demands. The laborer must serve them, because other employments exclude him after they have absorbed their full quota of workmen.

The same helplessness of state which compels the people to trade upon terms that result in the piling up of a huge surplus, or great gains, compels them, in periods of industrial depression, to redeem and reduce these gains; and to do so with their original possessions, the merchant going to his capital, the farmer mortgaging or decreasing his acres, and the laborer parting with his little home.

The thoughtless may imagine that the way to mitigate the effects of over-exaction is to increase the toil and produce more to sell. That would only intensify the ill effect. In their dealing with the masses, the monopolists dictate the terms both ways—fix what they

charge and what they pay. The consequence is such a rate of compensation as to create a perpetual difference in their favor. The more the masses try by toil to earn and overcome this difference, the more must they deal with the exactors and the larger and faster, therefore, do they make this difference grow. Undertaking to reduce it by extra energy in production is as impossible as would be the feat of liquidating continued expenditure of ten dollars per week with receipts of but eight dollars a week.

It may be asserted that a brisk foreign trade would absorb our surplus products. This is a fallacious idea. The imports which took the place of the overproductions would still have opposed to them the inability of the people to purchase.

It is not to be understood that the divestment of the people of their properties has always, or even generally, the appearance of compulsion. Property is sold from preference when a satisfactory price is offered for it. This savors of the voluntary so long as we do not inquire where the exactors get the money to buy with, nor look too closely into the

Overproduction as a Reality. 19

motives of the common people in gradually parting with their possessions, nor into the reason which impels many to offer their properties at sacrifice terms at certain periods. But though it appear purely voluntary, the actual transfer is a conversion of the properties of the people into the hands of the exactors, because of absolute impossibility of giving to one side the continuous advantage without balancing the difference with value in another form.

This exaction and divestment of ownership may be defined as the denial to the people of a proper living, by depriving them of a share of their earnings, then the denial to them of any living except as they are disseized of their properties in exchange for their earnings. The business in its further detail means plunder to pile up a useless gain to plague both plunderer and plundered by a subsequent plundering that so impairs the resources of the plundered as to undermine the very foundation upon which the plunderer must rely for his future welfare.

CHAPTER V.

ADEQUACY OF SIZE IN INDUSTRIES.

THE advocates of monopolized industry seek to justify their methods with the plea that the larger the capital invested in any industrial enterprise the greater the production as compared with the cost of its operation. The plea is without substantial basis. Adequacy in the combination of centralized capital and labor is the point where the best products are obtained at the least possible cost in means, energy, and time.

Industries which lack sufficient capital are naturally at a disadvantage, because they cannot have the space, buildings, machinery, tools, raw material, and working capital to compete with the larger concerns along the lines of economic management, and the proper division of skilled or technical labor. But it is quite

Adequacy of Size in Industries. 21

as evident that industries may be so extensive in interests, so complicated in concentrated management, that they may fail to produce as cheaply and as satisfactorily, both to the employers and the workmen as those of smaller yet adequate size.

The owners of immense establishments can give only general and occasional attention to the details of their business, leaving the real management and vital interests relative to its success to others in their employ. This operating at second hand cannot be of the best because it is impossible to get men to take the same concern in the welfare of others that they take in their own. The very nature of men forbids the practice of the minutest productive economy when the fruits of toil do not become their own; and as the possessors of gigantic concerns cannot give the personal attention necessary to secure this object, there follows inevitable waste and loss. The losses occasioned by the want of strictest care here, the allowance of a small waste there, and the failure to create to the utmost capacity everywhere—things that would be prevented by a proprietor having a smaller concern over which he

could give more direct supervision—go to make up an immense aggregate to be deducted from what might be the real product of employed labor and capital.

The owners of vast concerns cannot familiarize themselves with the working operations and the details of management to the degree possible with agents and superintendents in direct contact with the operations. Yet are they supreme in directive authority, and are their subordinates, though they be animated by a most conscientious desire to expend their knowledge and skill to the best interests of their employers, bound by master's rules, and without power to adopt the better methods their greater familiarity with the business in hand fits them to prescribe. From this ensues more waste—waste of the superior knowledge and skill which the superintendents and others obtain from close contact and intimate experience with the affairs, and from constant observation of the condition and needs of the industry with which they are associated.

In this age of inventions and working devices, the direct managers are quickest to discern defects and advantages, but being with-

out the authority that ownership confers, are often obliged to retain mechanisms their better-grounded judgments tell them are far from being the best that could be employed. This superiority of ability to control, direct, and adopt, becomes so much wasted, so much diversified and practical talent shut off from possible use in progress, improvement, and consequent cheapening of production.

Self-interest, moreover, constructs policies to suit the situations of men. It is policy for the superintendent to preserve the good esteem of the proprietor who engages him, as likewise it is policy to maintain the good will of the men over whom he exercises control. Good will between the men and superintendent fills the proprietor with an exalted idea of the superintendent's fitness for the position he occupies. This high ideal protects the superintendent in the enjoyment of his position and salary—the things of ruling moment with him. But the good relationship between superintendent and men may depend upon favoritisms fatal to the best and most economical production.

The superintendent may find it to his advantage to flatter his master upon the latter's exer-

cise of sound judgment where there has been plainly unsoundness of judgment. By so doing he attaches himself more firmly to the good will of a vain employer, and profits thereby; and while it serves to promote the interests of the superintendent, and is but the exhibition of a natural motive, it does not conduce to the cheapening of the material produced.

Extending to the common workmen our inquiries, we fail to find superiority of merit in a system which increases beyond necessity the list of people deprived of all the incentives which give inspiration through ownership. We are only multiplying the number of those who are interested rather in saving their strength of mind and body than in putting forth extra energy and ingenuity in the creation of a larger and better supply.

But there is a still more serious result from the gigantic industrial plant. Coupled with the impediments of restraint and indifference are the inefficiencies resulting from weakness of mind and body. The meager wages which the monopolists can compel their men to accept frequently shuts them off from schools, churches, and all the means of enlightenment

Adequacy of Size in Industries. 25

and culture. That this produces inefficiency in the workers needs no argument to establish. It is only necessary to add that these are some more of the crippling agencies born of centralized over-growths, and that they greatly increase the cost of production; so much so that the monopolies could not be made self-sustaining did not the destruction of competition afford the opportunity for illegitimately securing the desired profits.

The influx of capital into an industry serves to cheapen its products only until the sum of sufficiency is reached. But where there is enough, success is marred by the addition of more. The manufacture of a certain line of products being divided among a number of independent manufacturers, possessed each with all the modern facilities for doing his work, the wares will be turned out upon the lowest basis of cost. This naturally results, because there will be a large number of interested proprietors engaged in directly overseeing and carefully watching the work in order to realize the greatest productive economy; because the proprietors can bestow upon their business their own time and dispense with the

services of salaried sub-masters to negligently conduct their business for them; because direct contact with their men as well as the better remuneration they will have to allow on account of the demand for labor by many other competitive employers, will secure the earnest effort, vigorous movement, intelligent action, and well wishes of their employees; because many employees will themselves be thrifty stockholders in the concerns, and will have all the interest in the success of the concerns that ownership creates.

These are the facts, and they are facts disclosing such hostility to colossal aggregation of industrial work and workers, as to stand of themselves, and exclusive of price-control and other considerations, as a vehement protest against undue concentration.

CHAPTER VI.

WHERE WE WIN AND WHERE WE FAIL.

NATURALLY men are constantly seeking to increase the profitableness of their efforts, and to this end resort to various devices for self-advancement. These devices in their proper relations, bring incalculable good. Without them we should still be living in the state of barbarism.

Among these helpful factors of progress may be mentioned, first, the division of labor, or that specializing of pursuits which consists in each individual devoting himself to one or a few branches of labor or business, and then exchanging with others to get his wants supplied in full. A resort to the division of labor is of immense advantage to us. Indeed it is doubtful if man, under present social condi-

tions, could support himself, even in the most primitive style, without recourse to the division of labor.

A second important aid is the employment of a medium of exchange, or money. This affords us another wonderful advantage, for the people would be woefully handicapped if each individual had to barter his spare productions and trade them in form and quantity to suit others who could spare of theirs in mutual exchange. If it did not render the subsistence of themselves impossible, it would at least render it necessary for them to confine their demands to the narrowest limits of variety and quantity.

Another great factor is the invention, discovery, and employment of tools, machinery, steam, electricity, and labor-saving expedients of every description. Lacking these, we never could have advanced from the savage to the civilized state, nor have supported our population in its rapidly increasing ratio. Not only has this been thus useful, but it has enabled us to minister to hundreds of new wants which have arisen with advanced civilization, and are essential to an improved condition. The ad-

vantage of this device to society is beyond calculation.

A fourth element is the constant tendency of men to seek more remunerative employments. People are inclined, not only to select expedients for making most profitable the particular vocations in which they are engaged, but to select those vocations which they can make most profitable to themselves on the whole. Giving rise, as it does, to rivalry, this is known as the device of competition, and owing to the good results which accrue from the full exercise of it, it is probably the most important among the factors which enter into the welfare and advancement of the sons of toil.

Attention is called to the possibilities we have gained through the medium of the first three of the above-mentioned devices. We have progressed in them to such a degree that it may be said that the problem of production and exchange has been solved. Impossible as it would be to support our present population by use of the primitive methods of past ages, we could now, with a moderate daily effort on the part of each individual, drive want from every door, disband the army of the discon-

tented, and make the people forget that there ever was such a thing as excessive toil or stringent self-denial.

But now comes the question—why have our improvements in the art of production and exchange not lifted us beyond the necessity to live in want, or to over-exert ourselves in order to supply our wants? In this day and age of perfection in the inventions, discoveries, division of labor, and other expedients which evoke from responsive nature a surfeit of supply, even with the wheels of industry but partly engaged, what is the excuse for disgraceful tenements, industrial slaves, mortgaged homes, and the broken physical constitutions of men? What is the sinister influence which brings us hardships and sorrows instead of recreation, contentment and real joy? If in contrast with these undesirable conditions those of competition are helpful and salutary, shall we not find in the throttling of a healthy competition, the source of that which blights and retards the progress of the industrial world towards the goal of constant plenty and genuine happiness?

CHAPTER VII.

LEGITIMATE FRUITS OF FREE COMPETITION.

COMPETITION, free and unhampered, would so affect all industrial pursuits as to make them yield the same ratio of profit in proportion to the labor, skill, and capital employed. This would be the natural result because the inclination of all men is to ally themselves with such enterprises as happen from one circumstance or another to become the more profitable, and as in a state of free competition this inclination would have full and free exercise, instead of being curbed by monopolistic obstructions, this exercise could have no other result than that just named. For instance, if those in the less profitable pursuits attempt to ally themselves with those more profitable, they can only do so by deserting the former and entering the latter. But as such a course would bring about an ad-

vance in the profits of the pursuits abandoned, and a corresponding decrease in the profits of those entered, and the people would cease this course only when there were no more low-profit industries to leave, or better-paying ones to engage in, it is manifest that there could be only one effect of a free and unrestricted right to compete, viz.: a level or equality of gain or profit in all industries.

Competition would also result in equalizing demand and supply. To understand this we have only to remember that under natural conditions the poor-paying pursuits and the over-supplying pursuits are identical, as are also the better-paying and the under-supplying industries. It is evident, therefore, that where people have deserted the less for the more profitable pursuits, until the rates of profit have been equalized, they have, by the very same process, deserted the over- for the under-supplying pursuits until demand and supply are equalized.

With unhampered competition rewards would be equalized with earnings. This comes as a natural sequence to the principles already stated. The leveling of the ratios of profit under the fostering influence of free condi-

Fruits of Free Competition. 33

tions, is but the rewarding or compensating of every one upon the basis of his earnings. The labor of earning being that which creates supply, earning and supply must of necessity be equal in quantity or value. Reward being that which energizes demand—gives the means of purchase without which there could be no demand because nothing to render such a thing as demand effective—reward and demand must be like in sum or quantity. This being true, when the leveling process has brought about such a demand as to enable it to keep up with and take all supply, it has created such degree of compensation as to require all earnings.

With universal competition, shut-downs and business depressions would be obviated, employment would be regular, the annual increase of wealth would become a half more or double, and poverty, hardship, and the crimes which grow out of distressing want, would be abolished. This would be the natural outcome of that equalization of demand and supply which effects the consumption of all products in season and keeps the capacity for production in constant movement for the providing of more.

Competition would enrich regularly and pro-

portionately both laborer and capitalist, leaving the latter with no great excess with which to overbuild, and the former with no lack of means with which to supply himself with that which is essential. This would be the inevitable result of all being similarly constrained as to the distribution of profit or reward.

Such are the industrial dispensations of the free and undisputed play of the natural trade law handed down by the infallible Author of our being. And how do they compare and contrast with those evolved under the imposition of restrictions upon this free play? Set them together and bring them to view. Monopoly—and exaction, overproduction, industrial depression, wasteful development, penury, hardship, and crime. Competition—and equalizing of profits, a just reward as to earnings, consumption at par with production, continued industry, general progress, universal plenty, happiness and peace.

Again do we find the self-same cause as visible to the tracing of the reason as the water-course is to the eye. Have we not again demonstrated, therefore, that monopoly is the immediate and indisputable cause of our failure

Fruits of Free Competition. 35

to reap the rewards to which we are entitled on account of our wonderful progress in the inventions and other productive agencies? Is it not clear that the people must be privileged to exercise every one of their profit-making expedients to the fullest extent, competition not excluded, before they can secure for themselves the highest degree of prosperity, comfort, and enjoyment?

CHAPTER VIII.

BUT ONE SAFE SYSTEM.

A condition essential to the general good being the states of equality brought about by the free play of competition, no factitious industrial scheme could be a success that did not produce the same states of equality. But owing to the intricacies of industrial relations which prevent us from knowing, when a reward is to be disbursed what should be the size of the reward, any factitious scheme is bound to prove futile. Should those in authority become inspired with the fairest of intentions in the division of earnings, they could not fail to produce a faulty distribution, against themselves if not in their own favor, and thereby invoke upon society the inevitable visitation of

natural punishment. This is mainly so because, appearing to represent the real value only in the finished product and after the disbursements have been made, actual earnings themselves are unavailable as reliances for the fixing of compensations. The work of so adjusting profits or rewards as to produce constancy of industry and its attendant benefits is limited to the matchless possibilities of untrammelled competition alone.

The rates of reward which this natural function would disburse are not, of course, exact sameness of pecuniary return upon the unit for all similarly applied effort or capital; for free competition takes notice of and allows for differences of ability, riskiness, healthfulness, agreeableness, permanency, and so on, of pursuits. It settles with every individual on the basis of actual worth produced, as it likewise decides what that worth is. The more energetic and capable would command according to their real deserts, while the less gifted would not be denied their full share. Allowing for accidents and possible mismanagement, which would depress to the minimum owing to the tendency of free conditions to promote quick

corrections, the accumulation in proportion to merit would always maintain.

Nor are what would be the dispensations of unthrottled competition to be confounded with the manifestations of present day competition. Competition under existing conditions is that born of monopoly and exaction. It is the competition of surfeitage; of over-investors to make three industries live when two would have prospered had the capital of the third been left with the plundered to develop trade to match. It is the effort of surpluses to find sales among a class who have been robbed of their means of purchase; of money to find borrowers when the people have discovered that the receipts from outlay cannot be made to equal the desired expenditure; of homesteads to get sales to save the owners from entire wreck; of laborers to sell services when the big-profit industries are gorged with plethora and the common industries are without means to hire.

This competition is attended with low prices, failures, retrogression and ruin—ills at their worst when overproduction is at its worst, and born of the struggle of over-supply and

indigency in their efforts to surmount the barrier of poverty and commingle, and of unremunerative capital to adjust itself to a basis of profit. Such competition is strife-ful and conflictive, and affords abundant reason for the disparagement of rivalry so long as the monopoly-bred competition is made the subject of unfavorable comparison.

With competition general and unhindered, the rivalry would be moderate and friendly, because all would be certain of marketing their wares in season; while the trend would be to provide the genuine instead of the spurious, because all would have means to buy of the best.

If it be urged that competition will reduce all vocations to a low rate of profitableness, the reply is, the best and the worst free competition can do is to make all accept the same rate of profit. If capital and labor be *continuously* engaged at *greatest* advantage, what can there be but an increase out of all proportion to the present standards of increase? When this is the case, who must get this wealth, and who must accept low profits?

Profitableness of vocations being equalized,

all rewards would be proportioned to amount of expenditure. As it is the disposition of nature to repay man's expenditure upon her *with interest*, the *natural* effect of proportional reward is to enrich all in common.

CHAPTER IX.

THE CORRECTIVE.

WHERE is to be sought the corrective which will rid us of the inflictive distortions of unnatural distribution and restore to us the felicitous harmonies of unfettered competition?

In the taxation. A present encourager of plethoric combination and monopoly, the tax must be so remodeled as to be a discourager of these enormities.

All are familiar with the regulative influence of taxation. We could, it is well understood, prevent land monopoly by so adjusting the taxation that it would fall heavier, comparatively, upon large holdings than upon small holdings. We could likewise prevent a steel trust or a coal oil monopoly by taxing

the stock belonging to the combination at a higher rate per centum than we taxed stock belonging to independent and smaller rivals. This, then, must be our mode of regulation. The tax must be so adjusted as to operate against enormous aggregations operating under one combined management, and in favor of smaller yet complete industries.

The following table exemplifying the taxation of capital of like kind at increased rates according to increased values under united ownership or control elucidates a method of bringing about the desired result. Assuming in this table that the revenue needs upon a given occasion necessitated the taxing at a rate beginning with one mill on the dollar, that rate as an initiatory would be assessed upon all assessable values not exceeding \$100,000. Upon values exceeding \$100,000, one mill would be assessed upon the first \$100,000; two mills upon values from \$100,000 to \$200,000; three mills upon values from \$200,000 to \$300,000, and so on for still greater values for larger invested interests.

Rate on each unit.	Conse- cutive Nos.	Unit of taxation.	Total value of the property.	Tax on each unit.	Total tax.
.001	1	\$100,000	\$100,000	\$100	\$100
.002	2	100,000	200,000	200	300
.003	3	100,000	300,000	300	600
.004	4	100,000	400,000	400	1,000
.005	5	100,000	500,000	500	1,500
.006	6	100,000	600,000	600	2,100
.007	7	100,000	700,000	700	2,800
.008	8	100,000	800,000	800	3,600
.009	9	100,000	900,000	900	4,500
.010	10	100,000	1,000,000	1,000	5,500
.015	15	100,000	1,500,000	1,500	12,000
.02	20	100,000	2,000,000	2,000	21,000
.025	25	100,000	2,500,000	2,500	32,500
.05	50	100,000	5,000,000	5,000	127,500
.10	100	100,000	10,000,000	10,000	505,000
.50	500	100,000	50,000,000	50,000	12,525,000
1.00	1,000	100,000	100,000,000	100,000	50,050,000

This is what may be termed the graduated property tax, and the application of this system of taxation in our economic arrangements would place the forces of normalization in the ascendancy, under which influence over-sizes and monopoly would yield to normality, and there be maintained.

This condition of naturalness or normality would be the existing of industrial establishments adequately capitalized, operating independently of each other, and situated to best advantage as regards sources of supply and demand.

The normalizing influences would be aroused to vigorous activity upon the adoption of the graduated property tax. The motive stimulating to this end would be that of profit sharing, which motive can be best explained by the use of language supposed to emanate from those who would be directly interested in industrial enterprises.

We may suppose that the stockholders of the three-profit industry have again met in conference, but this time to consult somewhat out of the ordinary. In council assembled, Mr. Goldhunter in the chair, Mr. Longhead upon the

floor, let us take note of what might be expected to constitute a part of their deliberations.

Mr. Longhead: "It is not worth while for us to think of contending against the inevitable. We no longer stand upon vantage ground. Indeed we are at a decided disadvantage. Our industry at best is cumbersome and costly to manage, our trusted superintendents, upon whom so much depends, are only half watchful of our interests, and our markets and sources of supply are in the main distant. These are not contingencies calculated to enable us to cope with others more favorably situated in these and other respects, to say nothing of the hardships imposed by excessive taxation. If we would hold our places, we must make haste to get ourselves as favorably fixed as are our competitors. We must at least agree to terminate our combination, and to let each stockholder take such action in the future as suits him best."

Mr. Blockhead (interrupting): "Why, Mr. Longhead, I am surprised. Can we not raise our prices to meet this unrighteous tax?"

Mr. L.: "My dear sir, it pains me to tell you

that we cannot raise prices at all. With new factories springing up everywhere we must sell for what others do, or not sell at all."

Mr. B.: "But can't we flood the audacious competitors out, as we have always managed to do?"

Mr. L.: "That was practicable when our advantages gave us profits that afforded us a large squandering fund, but the plan is not feasible now. Besides, the railroads are also preparing to divide up and we would have to bargain and dicker with a dozen different companies every time we wanted discriminating rates. We could not succeed."

Mr. Soberman: "I cannot say that I am exceedingly loth to withdraw my interests in this concern. I would like to start my son in the same business upon a smaller scale in another part of the country. He will then have the advantages of interested personal supervision—the supervision of himself—and nearness to market. He will also have something that is subject to better control, and therefore more profitable to *him*. I know we have argued that we have cheapened processes by bringing our means together in extensive com-

binations, but we have had a motive in presenting this argument. We are aware that the cheapening of processes is due more to the inventions and contrivances of our practical mechanics, than to anything else under heaven. I believe I can start my son in the west with a complete factory, small enough not to be cumbersome and large enough to contain every appliance and device needed for his business, and, with the raw material and buyers of his manufactured wares all at his door, he would be in position to sell at figures to surprise us and yet enrich himself much faster than he could do here under the best conditions in his favor. Moreover, I am afraid if he is not put into the business and drilled upon its details, he will not have skill enough to protect his interests after I am gone. He could not now bring to his aid the necessary knowledge of the details of our business which would be efficient as a shield against the scheming of an unprincipled manager, if unfortunately such should come into business relations with him."

Mr. Float: "These suggestions strike me with the aspect of a ray of hope. I see the necessity of our disbanding ourselves, and it

pleases me to see that some good is to come of it. Besides, I am led to have some faith in this contrary doctrine, and if it should develop that the cause of our present discouragement would also be the cause of constant activity in the future, and of relief from strikes, and turmoil with our employees, what an improvement would it be. There is necessary loss and embarrassment connected with the process of tearing up and separating. But how much do we lose now from differences with our men, from overproduction of wares, and from idleness of our capital? I am not much dissatisfied with the necessity for terminating our union."

Chairman Goldhunter: "It is a matter we cannot avoid. Something must be done to save us. Therefore let us meet again and again until we have settled upon the best way out of our undesirable situation. May it come to pass, as Mr. Float is led to hope and look for, that what we are compelled to do, may bring us good instead of ill."

This illustrates what would be the order of the day until a normal or natural state had been reached, after the enactment of a graduated tax law. Industries would seek, first, to

reduce themselves to the smallest size compatible with sufficiency of capital, and, second, to locate themselves with the greatest advantage as respects both buyers and sources of supply. For instance, if a shoe factory cannot be properly stocked and operated with a smaller capital than \$50,000, but that this amount will suffice to provide such a factory with all the most improved machinery, tools and devices for making shoes, and for the keeping in constant supply sufficiency of leather and other material for the successful pursuit of the business, then this sum, without much variation, would constitute the valuation of the various shoe factories in the country. One motive for choosing this valuation would be to avoid high tax, the other would be to avoid a condition which would bring greater loss through lack of efficiency.

As with the shoe industries, so would it be with all other industries. Those which could be formed into completeness upon a thousand dollar valuation would be funded to this valuation or approximated thereto. Those that required hundreds of thousands of dollars to complete and operate to best advantage would

be funded upon the higher basis. But the basis of completeness would not be overreached, nor would proximity to communities sought to be supplied be made objects of disregard.

CHAPTER X.

CLASSIFICATION FOR TAXING PURPOSES.

COMPETITION can only be carried on between *different* parties engaged in the *same* class of pursuits. There can be no competition between a grocer and a shoe dealer. They do not supply a similar need. A shoe dealer, the only one of a town, might be surrounded with a dozen merchants handling goods other than shoes, yet he would be without a rival and his patrons **would not think** of procuring any one than a dealer in shoes did they seek to have competition in his particular line of trade.

Since our purpose is to secure competition, the aggregate wealth of any one is not to be taken as the sole basis of his tax rate; instead, the relation of his wealth to the wealth of others of similar occupation, or production. If his wealth consist of different species of enterprise, the several species must be differentiated

for rate adjustment. The taxation, in other words, must be according to specific interests as well as ownership.

For illustration:— Earnest Gainer may be a stockholding proprietor in the coal industry. Adjusting his tax rate according to his *individual* valuation merely is not what we want to do. We want to get the worth of the coal properties his corporation controls, including all coal lands—worked and unworked; all buildings, tracks, mules, stores, and everything connected with the coal industry under that company's control. And if the corporation operate, own, or control, or have pooled with several different mines in several different places, and coal yards in several different towns, we want to place the assessment at what the percentage will make it with these values added. If such corporation arrange with transportation companies for discrimination against others, we add to the assessment value the capital of the transportation companies also. The assessment rate must be to a valuation that is co-equal with the combined values of the coal concern and its connections. This corporation-wideness of tax rating will impel Mr.

Gainer and his co-partners to dissolve their monopoly and conduct their operations as separate enterprises.

If, after the dissolution, the coal interests of Mr. Gainer are yet so large that the taxation is hurting him, he still has his remedy. He can sell a portion of his coal properties and invest in the lumber, the flour, or other industries. He will thereby be entering the field against producers of other kinds of supplies and making himself a competitor with them. He will be watchful against combining with any such too extensively.

Of course, state and national assistance will be needed to get the values existing over wide areas, but when the local assessor has the valuation furnished to him he can make the assessment according to the schedule rate upon the property within his jurisdiction, and it can be collected in the same local manner. The valuations must be put at actual worth, to be determined by free access to ledgers, stocks, bonds, and other forms of capital. This course would be necessary to prevent tax dodging, which would have the effect of nullifying the corrective purpose and force of the tax.

Illustrating in the case of where the wealth consisted of more than one set of interests: We will suppose that Mr. Richman is worth three million dollars, one million of which is in western lands, and two millions in a steel plant, belonging to a trust which also controls all other plants in the country, of the same class. We wish to cause Mr. Richman to divide his investments into a variety of independent and monopoly-free enterprises. Instead of taxing his properties in a single sum and regardless of the differences in kind at a rate corresponding to its entire value of three million dollars, we will tax each class of property separately and at a rate corresponding to its worth. The land we will tax, as property belonging to its class, at the million dollar rate. What will be the effect? Mr. Richman will dispose of so much of his land as exposes him to the extra taxation to actual settlers upon easy terms, and invest the proceeds as they accrue in other enterprises, being careful not to over-invest in any particular class. In other words, finding that he can reduce his taxation by ceasing to be a land monopolist, he naturally and for his own interest takes this course.

Mr. Richman's steel plant we will tax at a rate corresponding to the value of all the plants in the trust. This will cause him to draw out of the trust. We will next tax his plant at a rate corresponding to its real value of two million dollars. Then, if the plant be three times as large as it need be to answer the requirements of completeness, he will divide it into three plants, dispose of two of them to others and invest his proceeds in such manner as to become a competitor with rivals in other kinds of enterprises.

To conclude, Mr. Gainer and Mr. Richman, finding that by normalizing their possessions into industries of adequate size, they will be as much tax-favored as the people of smaller means, they will make haste to be thus classed and taxed.

CHAPTER XI.

EFFECTIVENESS OF THE GRADUATED TAX.

DOES the taxation of properties at increased rate corresponding with increased value have the virtue claimed for it?

Let us answer by the use of both ideal and actual instances.

Here are some ideal instances:—

1. John Plowman owns 100 acres of farm land worth \$2,500; taxation at one mill on the dollar, \$.25. By living upon his land, cultivating it himself, and managing it to the best advantage, he supports himself and pays his taxes with ease.

Mr. Richman owns 40,000 acres of land equally as valuable per acre as John Plowman's and worth altogether, \$1,000,000. The state enacts a graduated property tax law and Mr.

Richman finds his tax to be \$25.00 per hundred acres. Is there any ordinary way by which he can profitably retain his large acreage and yet pay this tax? Can he shift the tax upon tenants when smaller ownerships offer terms not handicapped by this added expense? Could he hope to make up for this extra tax by an attempt with hired help to produce more cheaply than those who own moderately sized farms and do their own work? If not, effectiveness is proved in a case like this.

2. The flouring mill owners of the west organize a trust for the purpose of lowering the price of wheat and elevating the price of flour; capital \$50,000,000; taxation under the graduated system, 20 to 50 cents on the dollar, according to the rate of graduation. A few mill owners in Kansas and Missouri refuse to be controlled by the trust and withdraw therefrom. Under the present fixing of taxation, what would be the result? The rebellious mill owners would be rapidly and completely ruined. How would it be if Kansas and Missouri each had a graduated tax law? The rebellious or anti-trust mill owners, by virtue of the lower taxation, would undersell and draw

the trade from the trust mill men to such an extent as to force them into bankruptcy did they persist in maintaining their trust. There would be no shifting of the extra tax in this case.

Now look at the actual instances:—

1. The State Banks were driven out of business by a ten per cent tax upon their circulation in favor of the National banks.

2. Foreign manufacturers are forced to give way to home manufacturers by a tariff tax which is the same in effect upon the foreigner that the graduated tax would be upon the trust magnate, or over-enlarger.

A tax may be shifted only when it is laid with equal force upon *all* establishments of a class, big and little, mischievous and beneficial. An attempt has been made to discourage the manufacture of liquor by a heavy tax upon the article. No visible effect has been produced, so far as the tax was concerned, because *all* pay the same rate per gallon. A tax which discriminates against one in favor of *another in the same line of enterprise* is sure to be felt as a discourager in the one direction and an encourager in the opposite. A lighter tax

The Graduated Tax. 59

upon the Illinois than the Kentucky distilleries would soon result in the obliteration of the latter, and a lighter tax upon independent establishments will cause the combinations to succumb.

CHAPTER XII.

EQUALIZING EFFECTS OF THE GRADUATED TAX.

LET us see how the tax burdens would be distributed *after* the industries had been reduced to normal conditions.

The shoe factories of the nation being of uniform size, each would pay the same rate per centum on the dollar. The lumber manufacturers being of uniform wealth, each would pay the same rate of tax. That is, in either class of industries, the branches or divisions thereof being of uniform worth, the branches or divisions would each pay the same rate per centum of tax on the dollar. There would, therefore, be no partiality as between the different individuals or companies engaged in the same line of business.

The classes of industries which must be pos-

sessed of large capital would have nothing to fear from cheaply taxed competitors, since there would be no small competitors. The wealthy operators, therefore, would not be prevented from charging the balance of the public such advance in price as to recover for the extra tax which they paid, and thus to secure the same rate of profit all others received.

We have an actual illustration of this principle in the manufacture of distilled liquors. Although the tax is the enormous one of \$1.10 per gallon for every gallon of the product, yet it does not mar the profitableness of the concerns, because whiskey does not come into competition with the more lightly taxed articles of sugar, flour, and other commodities, and the whiskey dealers are not prohibited from refunding to themselves the extra tax, through the price which they put upon their product.

And what does this privilege of the larger concerns to thus recoup themselves lead to? The longed-for desideratum—*tax equalization*. How else are we to secure this much-sought-for object? An apparently partial system of taxation produces thorough tax equalization. What now becomes of the objection to taxing

capital at increased rates according to increased values?

With this recruit we are garrisoned with a quinary of needful balancings:—tax equalization, profit equalization, equalization of demand with supply, equalization of reward with earnings, and equalization of the pleasurable-ness of the means of self-enjoying. What but a graduated tax can produce these?

That which protects the larger industries is the *natural* monopoly possessed in them up to the amount of least capital that can compete with them in similar production.

How different it is with the middle class to-day. It pays the largest rate per centum on the dollar. It is indeed graduated taxation reversed, and in its rate of progression is like the imposition ordinary wealth is subjected to, largely through the notorious tax evasions with which the rich favor themselves. But while those of the middle class pay the heavier rate of tax, they have no control of the prices they may receive—the trusts settling this to suit themselves—and are without opportunity for indemnifying themselves and thereby saving themselves from absolute loss.

We can now understand why the present system of taxation is productive of lavish concentration and monopoly. Its lightness upon large wealth frees the latter from the inherent restraint which would be exerted by heavier taxation, which freedom resolves itself in turn into a stimulant of overgrowth.

CHAPTER XIII.

TAXATION INSEPARABLE FROM REGULATIVE
INFLUENCE.

So long as people need forms and agencies of government, so long will they be required to raise revenues to meet the necessary expenses of governmental operation. We cannot have public or common preservation of the records, public order, public schools, public highways, and public business, without paying for them, and we cannot pay for them as public or common affairs without drawing from a public or common fund.

Taxation being considered as the best method of raising this fund, it is the plan which is put into execution.

But the payment of the tax is not in itself a burden; no more so than the payment of a sum for a day's labor, the plowing of a field,

the mining of a ton of coal, or the making of a coat. If it be more economical and satisfactory to have some services performed as public rather than as private affairs, and the compensation for such services provided for from a common fund, the taxation must be considered a benefit, and not a burden.

But to justify taxation on the ground of its being a superior mode of providing for a special kind of service is not to conclude, without committing a grave error, that taxes may be levied regardless of everything else than the raising of revenue. The effect upon the property or the person taxed must also be considered. This is evident because taxation always exercises an influence in the development or course of industries, and regulates them rightly or wrongly according as the method is right or wrong. Levied in one fashion it produces a healthy and safe development upon them; levied in another fashion it produces an abnormal and dangerous development.

The subject, then, of *how* to tax the properties of the people is one of the utmost importance, and two questions, instead of one, properly come up for consideration every time we

set about devising a system of taxation to be levied for the public expense. Besides determining how to procure the needed amount of revenue for public or governmental purposes, we must determine also what the industrial and business needs demand from the authorities.

Industries prosper or decline in proportion to the degree of profit realized in their operation, and the cost of taxation is like that of the cost of labor, insurance, supplies, shelter, or anything else which make up the items of expense; it becomes a factor in determining what shall or shall not be left of the income for profit. Affecting the profitableness of industries as it does, then, it is bound to exercise a powerful influence in determining the manner or course of their development.

In support of this contention, the tariff is a case in point. In the early existence of our government, when we were without manufactories of any consequence, and foreign capitalists were determined to prevent their establishment, if possible, a tariff was laid by our congress upon foreign goods imported into this country. This was done to encourage the building of manufactories in our own country,

by making it too unprofitable for foreigners to pay the tax and undersell American products. That this system of taxation served to restrain the foreigners and enable the American manufacturers to get a foothold, demonstrates clearly that taxation is not only a regulator of the course and progress of industries, but a most potent one in its regulative influence.

Another case in point is that of the provision in the national banking act for a ten per cent tax upon state bank issues. The object of the provision was to drive state bank issues out of circulation. This course destroyed most effectually the state bank's opportunity, and, as a matter of course, accomplished the desired purpose. The rapid decline and disappearance of these local banks furnishes another illustration of the most practical sort that taxation regulates.

Now look at our present means of raising state, county, and local revenues—the method of taxing the middle class at a higher rate per centum than the rich, by allowing the latter to be exempted from, or to dodge a large part of their share. We have the very results in mon-

opolies and gigantic combinations which we would prevent, and it is to be accounted for by our present method of taxation being a puissant breeder of these abnormities.

Having need of taxation, then, and recognizing that the revenue cannot be had independent of its influence upon the property upon which it is based, the duty is plain. We must lay the tax so that it will tend to the normalization of industries and that equalizing of profitability which in turn will result in tax equalization as a final outcome.

CHAPTER XIV.

THE GRADUATED TAX A PROTECTIVE TARIFF.

WHEN we consider the protective tariff we find the same system in operation, so far as the principle and object are concerned, that is exemplified in the graduated tax. We find, further, that the system, as there applied, works with success; a fact which should predispose us in favor of the proposed tax.

In the first place, the systems are both directed against monopoly—the graduated tax against home monopolists, the protective tariff against foreign monopolists.

In the second place, between the methods of these two classes of monopolists and their designs upon the people, there is not the slightest difference. Both flourish by the suppression of rivals, and both seek the opportunity to control our markets, and over-charge while

they under-pay. That the foreigner does not encroach upon us after the manner of the American, is not an indication that he is indisposed to do so, but that the restrictions set against him are of some value to us, while those against the American are not.

In the third place, the systems are the same in character. Both are methods of taxation, necessitating outlays which must be looked after and provided for as items of expense.

In the fourth place, the object is, in both instances, the same. Both the graduated tax and the protective tariff are designed as a protection against that form of oppression which arises from the absolute control of the country's industries, or trade.

In the fifth place, the results of the two systems upon the respective subjects against which they are directed, are the same. On the one hand, the imposition of the tariff necessitates an addition to the price of the imported article; this in turn places the foreigner at such disadvantage to the home capitalist that he cannot "freeze him out," get control of the market, and plunder the people at will. On the other hand, the graduated tax necessitates an addi-

tion to the price of monopoly commodities, which in turn places the monopolists at such disadvantage to independent capitalists that they cannot crowd them out and get control, and thereafter plunder the people at will.

The question may now be asked: "Has the taxation of the foreigners really subverted the purpose for which it was imposed?" Experience dictates that the answer should be in the affirmative. Tested in the tariff, the taxation has proven itself to be a success. It has obliged the foreigners to abandon their excessive profit schemes and to permit our having new enterprises and industrial growths.

The graduated tax in operation would prove just as effective as the tariff has been. It would oblige the Americans to terminate their combines and abandon the ring system for the more honest, helpful, and successful system of competition.

It will be observed that there is a departure from the tariff method in the laying of the graduated tax, but this does not alter the fact that the two systems are one in principle, and that both are the same in purpose and results. This departure is made because it is thought

to be an improvement upon the tariff plan of protection and regulation. To select the product as the object of taxation, as is done in the tariff, does not signify that the product is the very best thing, under all circumstances, upon which to lay the tax. It probably would not be so placed if the circumstances were different. As they now are, we have no option in the matter. Having no right to go beyond our territorial confines to levy taxes, we can get access to nothing but the product, and then only as it passes over our lines as imports to this country.

We could employ the tax against the home monopolists in the same way—that is, we could levy a duty upon all articles that were the products of trusts and combines. Laid upon the manufactured product in this manner, the tax would prove to be effective, but no more so than if laid upon the fixed capital or property from which the product is derived, such as the land, mine, or building and machinery of the factory. This is because the tax, in any event, will make itself felt in the market price of the product.

Within the bounds of our own country,

however, we have access to every form of property, and can lay the tax upon whatever we please. The fixed capital is the proper thing upon which to place it, therefore, for the reasons that to lay it upon the product would involve for its collection the establishment of an extensive system of custom houses and custom officials like those required for the tariff, while under the proposed system it would be collected just as the taxes are now collected, and free of extra expense.

The graduated tax is in reality, in principle and effect, an inland tariff, possessed of all the attributes and advantages of the existing protective tariff. This is a fact that it is of value to have understood for whenever we have catalogued the native monopolist with the foreign monopolist, we will be prepared to deal with him as rigorously as we have done with the foreigner, and thereby to put an end to the extortion which is so relentlessly practiced by him upon our people. We have no more right to be robbed by home combines than by foreign combines, and if we have discovered how to protect ourselves from the enemy across the sea, we should not be slow to

make use of that discovery to protect ourselves from the enemy at home. Especially does this appear to be true, when it is considered that every other remedy which has been tried against home monopolists has proven so futile that the people have despaired of getting relief through the old regulation means.

That feature of the tax which consists in its increase in rate with increase in values, gives it advantages it could not possess under any other form. It then becomes a preventer of over-sizes and various other abuses, besides that of monopoly; causes these abuses to disappear without any special effort to determine what these abuses are, or where they exist; and is laid and collected with as little trouble as are the taxes under the present system.

An exclusive market against outsiders, with free competition within for the adjustment of prices, was the ideal sought by the early champions of protection, and not the right to over-charge. Alexander Hamilton said, in speaking of the benefits of protection, "When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably

becomes cheaper. Being free from the heavy charges which attend the importation of foreign commodities, it can be afforded cheaper, and accordingly seldom or never fails to be sold cheaper, in process of time, than was the foreign article for which it was a substitute. The internal competition which takes place does away with everything like monopoly, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed. This accords both with reason and with experience."

Hamilton presaged competition, instead of monopoly, and supposed that in providing against foreign monopolists, that was all that was necessary. It did not occur to him that it was as easy for monopolists to grow up in America as it was for them to grow elsewhere.

Horace Greeley says: "But with what reason, with what justice, does any one say that an import or tax on imported goods, iron, or nails, cloth or cutlery, creates a monopoly?" He did not expect, did not look for monopoly to succeed competition. He believed that there were persons abroad who would, if not held back, prevent free competition between us and them,

but it did not occur to him that persons would rise up within our own boundaries and take the place of those abroad. But human nature is the same everywhere, and if the fellow across the line must have restraint, the fellow similarly situated on this side of the line must also be restrained.

A protective tariff law is an enactment half way in the right direction. It needs to be supplemented with a graduated tax law to form a perfect piece of work. Unsupported by such a law, it is fraught with danger. When we create a protective tariff, and rest at that alone, we as much as say to others: "Begin your vocations within our domain, and we shall protect you against encroachments from abroad; we shall also ensure you the right to levy at will from our people at home." Or, it amounts to declaring to exactors abroad: "You dare not plunder our people from where you stand; come across the line with your institutions, and we will issue you a free permit to plunder and oppress." To carry out the complete objects of tariff, we must arrange so that persons cannot do within our boundaries what we will not allow them to do while they remain outside.

Tax a Protective Tariff. 77

Wanting no monopolization and one-sided dictation from any quarter, while a tariff must be established to shield us against the *designs* of exacting combinations abroad, the graduated tax must be applied to shield us from the *existence* of exacting combinations at home.

CHAPTER XV.

WHAT ELSE THE GRADUATED TAX WILL DO.

WE have not discovered all the corrective influences of the graduated tax when we have found that it will prohibit monopolies, prevent over-growths, encourage the up-building of industrial institutions into the form of adequate and complete units, and give us an increased number of manufacturing centers where the farmer can dispose of his raw products in exchange for finished manufactures. The system possesses yet other lines of marked benefit to society, which claim our notice.

And first as to the surplus which at periods accumulates in the national treasury. This surplus is due to the greed of trust-makers and monopolists, who put such an inordinate price upon their commodities as to drive the people into purchasing extensively of the foreign in-

stead of the home-made article. The proposed tax would substitute competition for the methods of the monopolists, and as a natural consequence, prices upon home manufactures would be such that people would buy them, with but little exception, in preference to the foreign articles. This would cause importations to be cut down to very small proportions, as was designed by the originators of the protective system.

Another abuse is the corruption so common among public officials. Under the influences of the graduated system of taxation, this species of abuse would largely disappear; for just so long as the moneyed class can, in a measure, shirk their taxes and shift them upon the common people, just so long will they care little whether state, county, and city officials steal or waste the people's funds. But if they knew that the larger share of the taxes had to be paid by this wealthy class, they would exercise their influence and power to prevent official corruption, and we would have no more of that.

Another serious abuse of the monopoly system is that of "stock watering." Without a

system of extortion that will produce a profit large enough to satisfy the dividend requirements of the watered stock, after the demands of the real stock have been satisfied, stock-watering would be impracticable, because the stock represented by inflation would have no value. Without a monopoly there could not be this extortion and the consequent doubling up of profits—only the legitimate claims of the real stock could be satisfied. As graduated taxation would prevent monopolies, and leave no opportunities for the doubling up of profits and the payments of dividends upon inflated stocks, it would naturally end the stock-watering business.

Still another abuse is the business of war and conquest. Large wealth would exert its commanding influence to prevent war when it was found that the taxable expense bore more heavily upon it than upon that of the people of common means. And annexation of poorer peoples would not be desired when the revenue-getting provisions were of a kind that not only protected them from exaction, but tax-relieved them at the expense of the larger wealths of the country attaching them.

What Else the Tax Will Do. 81

These are some of the very important functions that graduated taxation possesses besides those of prohibiting exacting monopolies and huge combinations of industrial enterprise.

CHAPTER XVI.

QUESTIONS ASKED AND ANSWERED.

1. *What is the precise rate of increase that should be adopted with the graduated property tax?*

The lowest rate that will suffice to bring about and maintain normalcy. To increase unduly the rate, would tend to encourage small enterprises at the expense of that enlargement essential to economical and successful operation. Judgment and experience must be depended upon to bring the rate to the required standard.

2. *How would the change from combined industries in selected centers to that of smaller industries generally distributed affect the railroads?*

Through traffic in the goods of particular industries would decrease, but the loss would

Questions Asked and Answered. 83

be more than made up by increased local traffic in the same goods. The general prosperity of the people would result in increased travel, as well as make such a demand for all classes of goods, that the through traffic of what would necessarily be such, would be vastly enlarged.

3. *How would the graduated property tax affect the public expense?*

Prosperity becoming general, public debts becoming extinguished, the necessity for government restriction and control being reduced to the minimum, as all soon would be, the taxes would be very moderate—so low, in fact, as to cause the law to be looked upon more as a menace to immense combination than as a means of raising revenue.

4. *Is it a function of the taxing power to exercise itself in the regulation of industries?*

It is constantly being so used in the application of the tariff, subsidies, excise duties, and similar spheres of national control.

5. *Should properties used specifically for home comfort and pleasure, as one's house and contents, horses and carriages, his cottage at the summer resort, or anything else not de-*

signed or used for production and wealth-making, be taxed?

It is objectionable to do so for these reasons:—

The capitalists having it in their power to recover in their dealings with the public in such manner as to equalize the profits, it is immaterial to them if people that have no capital pay no tax at all.

The rich, medium, and smaller capitalists possessing about the same ratio of capital to their household and pleasure effects, it is of no difference to them whether the tax is placed upon the total of their property or upon the working capital alone. Each has about the same amount of tax to pay either way.

If, then, we relieve household and pleasure property from tax altogether, those having plenty of means will indulge in extra expenditure for these things. This will make it better for those having small means, by increasing the demand upon their energies and capital. It will tend to check the rate of wealth increase among the wealthier, and to accelerate wealth increase among those of smaller means, thereby contributing to improved social relationships.

Questions Asked and Answered. 85

6. *Should earnings be taxed?*

They should not, for the reason that it discourages industry. Tax the capital from which the earnings are derived, and the capital will be stimulated into activity to get the means with which to pay the tax, enterprise should not be punished for the benefit of negligence, and we have to wait but a season for so much of that stimulated earning that is to become capital to enter its place and be subject to taxation.

Upon this plan the farmer pays tax upon the value of his land, stables, work horses, machinery, tools and seed, but nothing upon the crop of his soil. The merchant pays upon his building and the average value of stock carried, but nothing upon the amount of business done. The manufacturer pays upon the value of the plant and average raw stock kept on hand, but nothing upon finished products. It would tend to the making most out of the resources in hand.

7. *Would this plan of dealing with society end the strife between labor and capital?*

Yes; by creating the common enrichment of all, upon which basis the interests of labor

and capital would be merged in the same individuals and leave no room for cause of dispute.

8. *Would the graduated tax originate any new duties for the State?*

It would not. Being a direct tax measure, the law would be executed as is the present tax measure for getting revenue.

9. *What can be said of this tax as compared with penal provisions?*

As a legal deterrent it has every advantage over a penal provision, owing to the latter remaining inoperative except through the initiative of criminal processes. The proposed tax would be certain of enforcement, because a tax measure; it would be self-enforcing, because operative through the collection of the taxes; it would be easy of execution, because the tax can be levied and collected just as at the present taxes are; it would be self-operative, because it would render monopolies unprofitable and would cause capitalists, of their own accord, to adjust their affairs to a non-monopoly basis; and it would prove successful, because self-operative.

Questions Asked and Answered. 87

10. *What is the graduated tax process?*

Having *started* the desire to profit from low taxation we would *arouse* the desire to profit from advantage as to size, nearness to supply and demand, and other contingencies. For, shorn of the privilege to profit by artificial means, manufacturers would be obliged to resort to the various *natural* means, or see themselves outdone and left to suffer by the more enterprising. All would have to come to terms of mutual advantage with the public, since the opportunity no longer existed for compelling the public to come to such terms as suited the monopolists.

11. *Are there any circumstances under which free trade could be safely substituted for the tariff?*

The tariff gates could safely be let down between nations normalizing with a graduated tax. Until the general acceptance of this tax, however, those adopting it would have to establish self-protection from the monopoly forces of other countries not so controlled, by going to the boundaries of their own country and interposing a tariff. Should we impose a graduated tax and remove our tariff, tax-

dodging exactors of the unnormalized nations would soon flood us with their cheap surpluses, ruin our higher taxed industries, and thereafter exact from us at will. The mere fact of an ocean, or a boundary line, between us and foreign exactors, does not relieve us of the necessity to protect ourselves against them, as we must do against home exactors, if we would have natural distribution and free competition.

12. *Do imports rob?*

Imports rob nobody. The importer loses nothing, for he gets his money back by adding the duty collected to the price when he sells his goods. The people lose nothing, for the duties go into the public treasury, and relieve them of what would otherwise be so much direct taxation. The injustice of the tariff lies with the home manufacturer, who, by combining to cut off competition, regulates prices for his own benefit.

13. *What is the story in brief?*

The scourge of unnatural distribution is due to the blunder of interfering with the free play of the law handed down by nature for our productive and trade guidance, competition.

Questions Asked and Answered. 89

To provide against this we must institute a system of taxation which will prevent monopoly.

We will then have this free play.

And the same taxation which provides for this freedom will equalize taxation, by equalizing the rate of profit in all branches of industry.

Institute a system of taxation which will prevent monopoly and promote the free play of competition, and we have solved the problem of human welfare.

We have solved it, too, by the natural and only mode in which it can be solved.

CHAPTER XVII.

RANGED WITHIN THE SINGLE VIEW.

No. 1.—*Unnatural Distribution and its Effects.*

Effects, Harmful
to the Millions.

1. Excessive self-denial relative to food, clothing and the comforts and enjoyments of life.
2. Halt upon progress, owing to lack of means for making adequate improvements.
3. Passing of the capital of the millions from their hands into the hands of the few.

Effects, Harmful to the Hundreds. { Superabundance, extravagance and excesses peculiar to high life.

- Effects,
Harmful to Both. {
1. Overproduction. {
1. Occasioning dull trade, damaging to all.
 2. Occasioning industrial depression and discharge of men, and resulting beggars, tramps and thieves.
 3. Occasioning intense competition, ruinous to the interests of all.
2. Overgrowth of monopolistic institutions, occasioning dull trade for the monopolists themselves, as well as for others.

No. 2.—*Universal Competition and its Effects.*

Effects, Beneficial to All.

1. A living for all, the best that can be afforded with the aid of the inventions and discoveries of the age, and a vastly better one than was possible before present inventions and discoveries were made.
2. Capital ample to keep all pursuits capitalized up to the demands of trade; none with more than can be profitably employed, none seriously hindered for want of means.
3. Consumption equal to production, occasioning constant activity, large production, and common enrichment of the race.

No. 3.—*Graduated Taxation and its Effects.*

- Effects, Beneficial to All.
- 1. Adequacy of size among industries with its attendant lowest cost of production.
 - 2. Universal competition, with its consequent natural and average rates of profit, and other advantages.
 - 3. The building up of more but smaller centers of industry.
 - 4. Relief from
 - 1. Concentration and monopoly.
 - 2. National Surplus.
 - 3. Land Grabbing.
 - 4. Stock Watering.
 - 5. Corruption by Public Officials.
 - 6. War.

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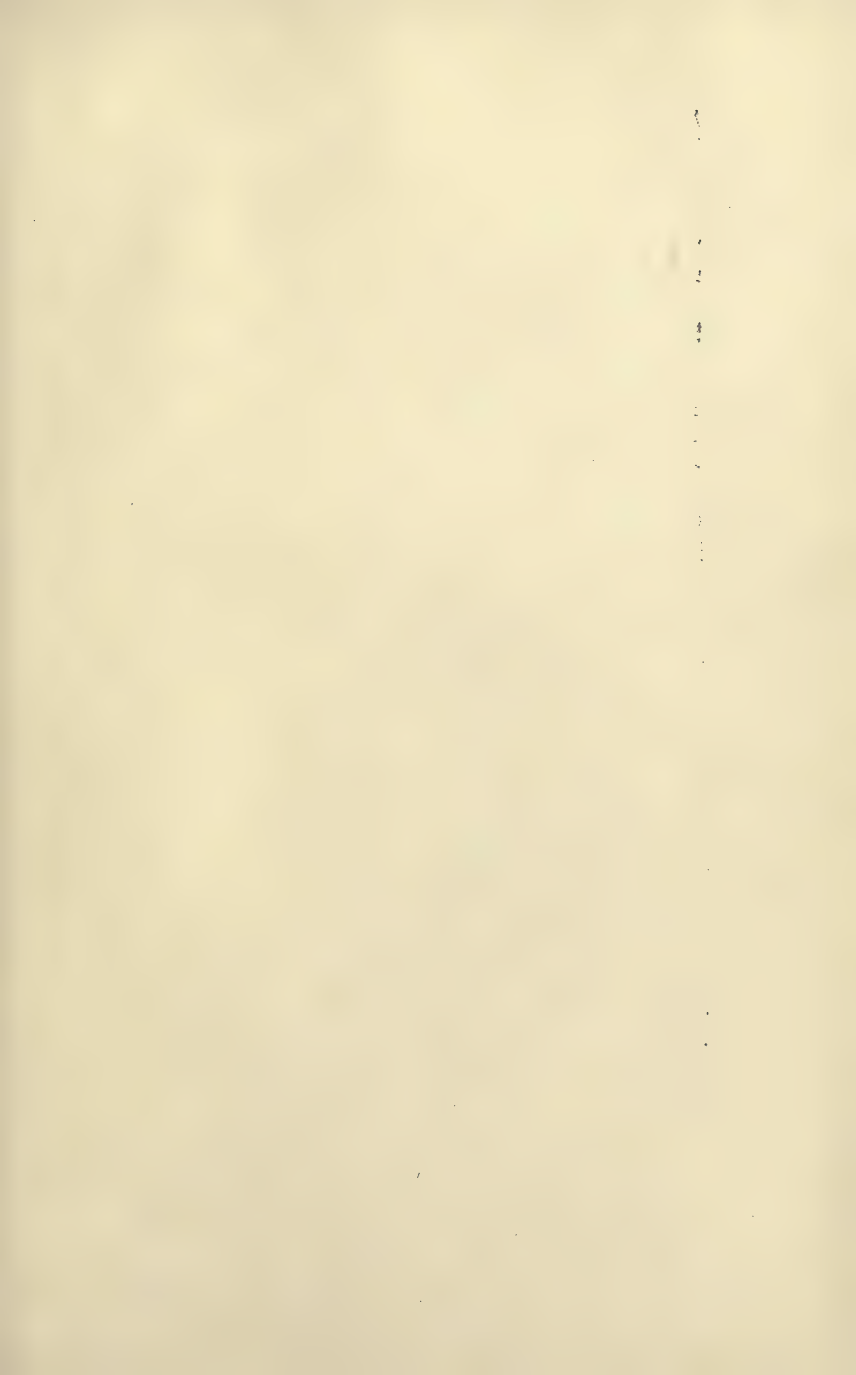
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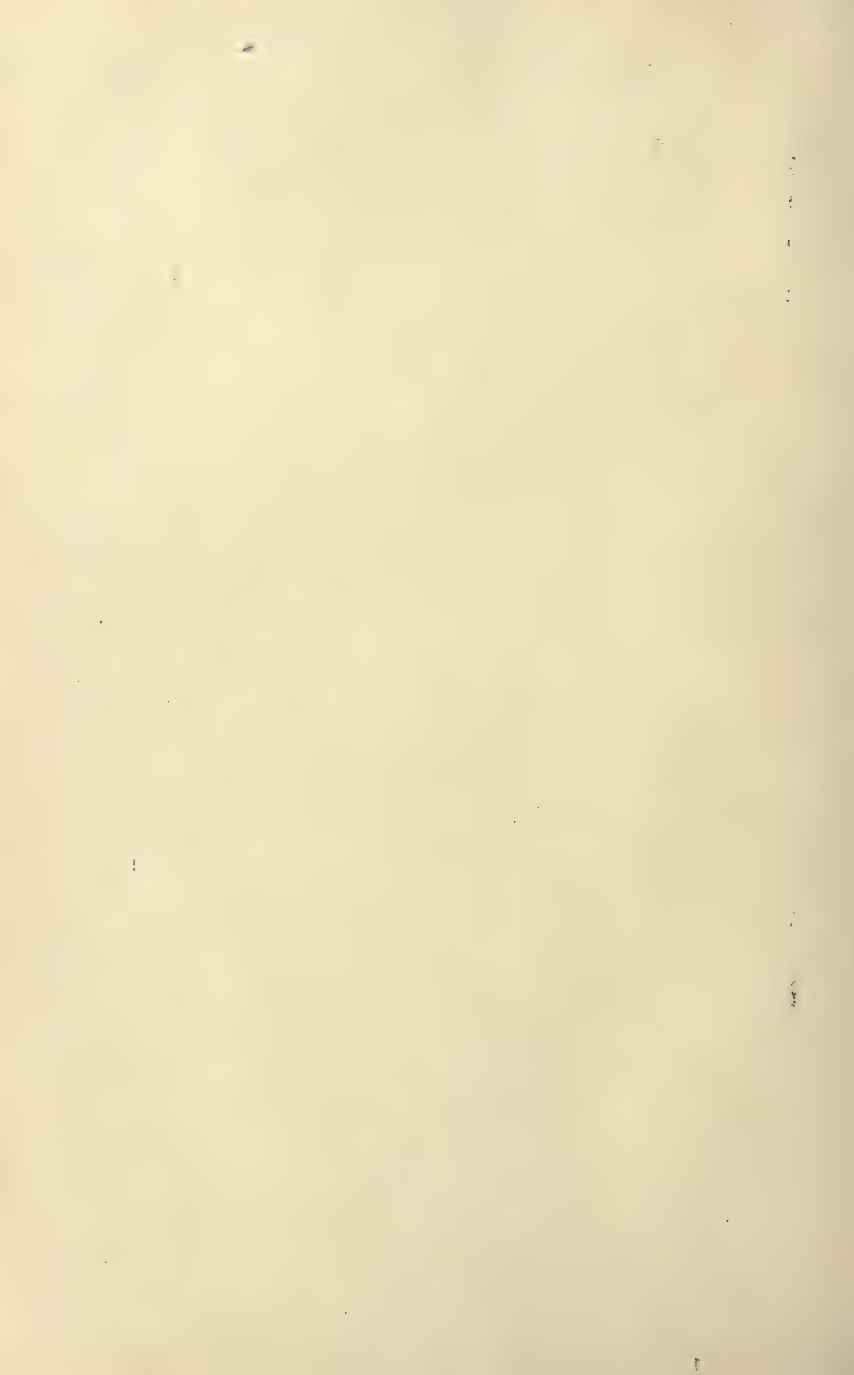
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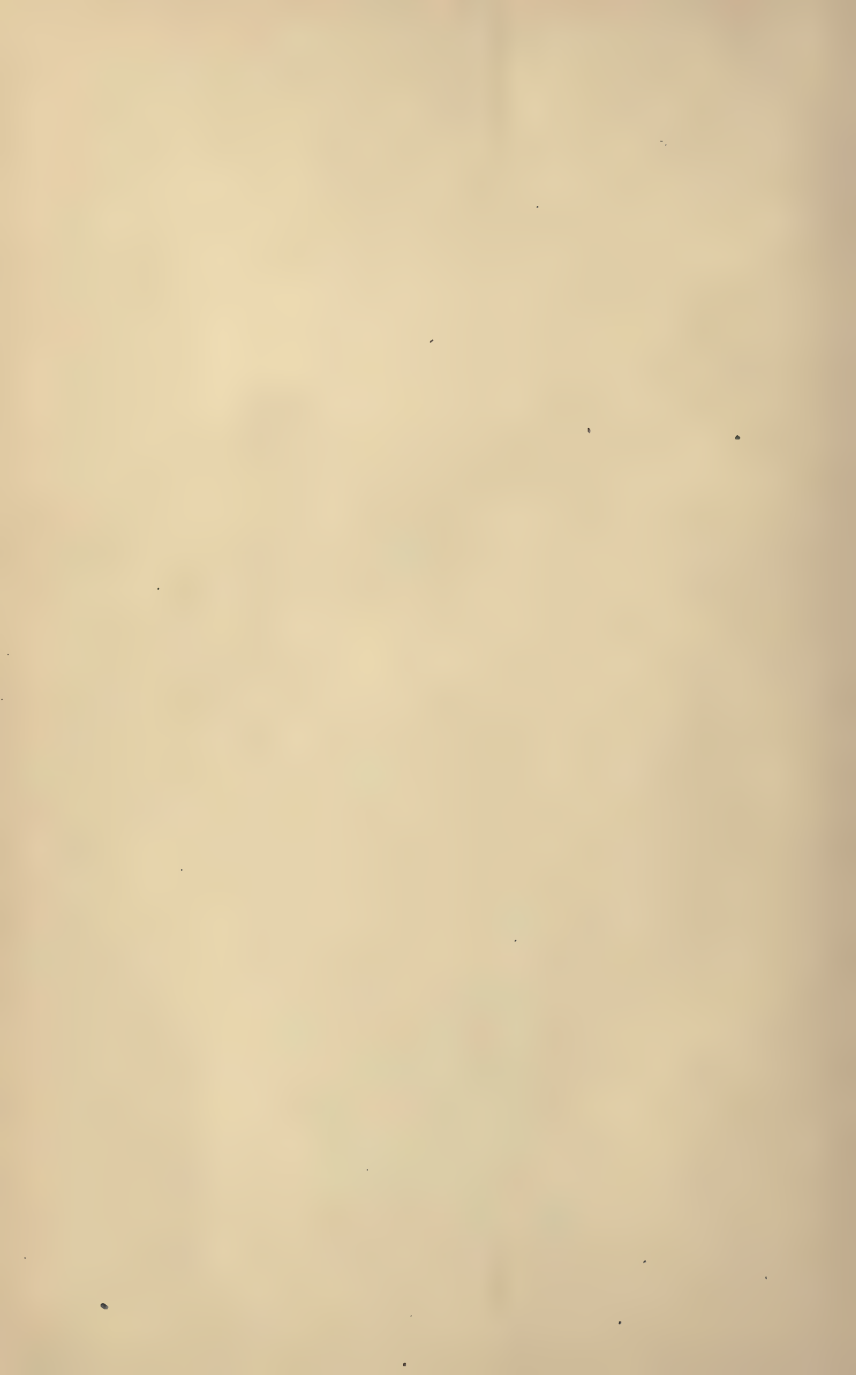
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